

Zee Entertainment

Refer to important disclosures at the end of this report

Discomfort continues to increase; downgrade to Sell

CMP: Rs 152
as of (July 24, 2020)

TP: Rs 137 (▼)
12 months

Rating: SELL (▼)

Upside: (9.7) %



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- Z IN reported its first-ever EBITDA loss of Rs2.8bn due to elevated provisioning and accelerated content amortization of Rs6bn. Adjusting for the provisions, EBITDA stood at Rs3.1bn - significantly below our estimate.
- Although ad revenues continued to decline (down 15% yoy), domestic subscription revenues witnessed strong growth of 41% yoy, boosted by the implementation of NTO and increased traction for Zee5. International revenues continued to be subdued.
- The balance sheet painted a negative picture with continued cash erosion and a significant increase in inventories. In addition, the 63% write-off in overseas investments was a major negative surprise which can cause significant dent to the balance sheet.
- The lack of clarity on receivables from Dish TV and Siti, sustained increase in inventories, and auditors' qualification for ~Rs3.9bn LoC issued for related party have increased our discomfort. Downgrade Z IN to Sell and reduce TP to Rs137 (8x FY22E EPS).

A quarter full of provisions: The weak macroeconomic scenario and the partial impact of Covid-19 led to a decline in ad revenues, although it was lower than our expectation. Domestic subscription revenues continued to surprise positively with 41% yoy growth. Higher programming cost due to accelerated amortization of movies and higher investment in Zee5, along with a provision relating to additional credit loss from receivables, impacted EBITDA negatively. RPAT was down due to an exceptional charge related to goodwill impairment, higher interest outgo and the write-down of Rs3.8bn in overseas mutual fund investments.

Outlook: Zee 4.0 strategy comes with a focus on improving various aspects of the business after creating discomfort on the balance sheet with capital allocation risk (investment in SugarBox), investment write-offs and a lack of clarity on the recovery of Rs7bn of subscription revenues from Dish TV and Siti Networks, and sustained increase in inventories. There is still the risk of provisions/write-offs on delayed subscription payments and auditor qualification for ~Rs3.9bn. In addition to these factors, there should be sustained cash burn in Zee5 as monetization would be gradual in the current hyper-competitive scenario. We continue to highlight structural challenges for traditional broadcasters with the possibility of increased FTTH penetration amid Jio's aggressive efforts and changing content consumption habits of urban consumers. Additionally, there is still lack of clarity on ad revenue recovery in near term. Valuations can further deteriorate if management fails to deliver on FCF generation and our risks come true. Key upside risks include significant improvement in cash generation and overall balance sheet; quicker-than-estimated ad recovery; and sustained double-digit subscription revenue growth.

Please see our sector model portfolio (Emkay Alpha Portfolio): [Media & Entertainment \(page 14\)](#)

Financial Snapshot (Consolidated)

(Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	79,339	81,299	74,998	87,618	95,942
EBITDA	25,675	16,346	17,990	23,959	26,233
EBITDA Margin (%)	32.4	20.1	24.0	27.3	27.3
APAT	15,889	10,705	11,878	16,442	18,170
EPS (Rs)	16.5	10.2	11.8	16.8	18.9
EPS (% chg)	17.6	(38.2)	15.0	43.1	12.5
ROE (%)	19.3	10.7	11.7	15.2	15.2
P/E (x)	9.2	14.8	12.9	9.0	8.0
EV/EBITDA (x)	5.2	8.8	7.6	5.7	4.9
P/BV (x)	1.6	1.6	1.5	1.3	1.2

Source: Company, Emkay Research



Change in Estimates

EPS Chg FY21E/FY22E (%)	(11.6)/2
Target Price change (%)	(14.9)
Target Period (Months)	12
Previous Reco	HOLD

Emkay vs Consensus

	EPS Estimates	
	FY21E	FY22E
Emkay	11.8	16.8
Consensus	16.0	18.7
Mean Consensus TP (12M)	Rs 209	

Stock Details

Bloomberg Code	Z IN
Face Value (Rs)	1
Shares outstanding (mn)	961
52 Week H/L	406 / 114
M Cap (Rs bn/USD bn)	146 / 1.95
Daily Avg Volume (nos.)	2,66,31,250
Daily Avg Turnover (US\$ mn)	60.6

Shareholding Pattern Jun '20

Promoters	4.8%
FIIs	67.3%
DIIIs	9.7%
Public and Others	18.2%

Price Performance

(%)	1M	3M	6M	12M
Absolute	(13)	4	(46)	(60)
Rel. to Nifty	(20)	(15)	(41)	(60)

Relative price chart



Source: Bloomberg

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Balance sheet

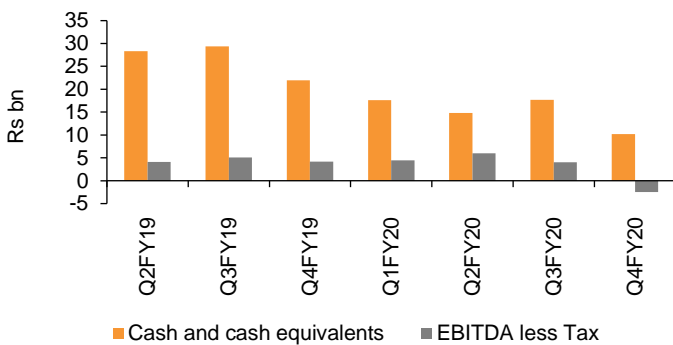
- Receivables increased to Rs20.8bn from Rs18.3bn in FY19, while receivable days shot up by 10 to stand at 94 days due to the delay in payment from one key customer.
- Cash and equivalents on the books stood at Rs10.1bn vs. Rs22bn in the previous year.
- Advances and deposits given to content aggregators in FY19 have reduced by Rs5.2bn to Rs4.2bn.
- Inventories increased substantially to Rs53.5bn from Rs38.5bn in FY19. Even after adjusting for the Rs5.2bn reduction in content advances, the inventory continues to stay at elevated levels compared to the previous year. The company acquired movie rights worth Rs4.15bn and received a refund of Rs1bn during the year.

Exhibit 1: Inventory increased significantly despite accounting for reduction in advances

Particulars	Rs mn
Inventories increase	14,970
Reduction in advances	5,180
Net Increase	9,790
Amortized during the year	2,598
Total inventory increase in FY20	12,388

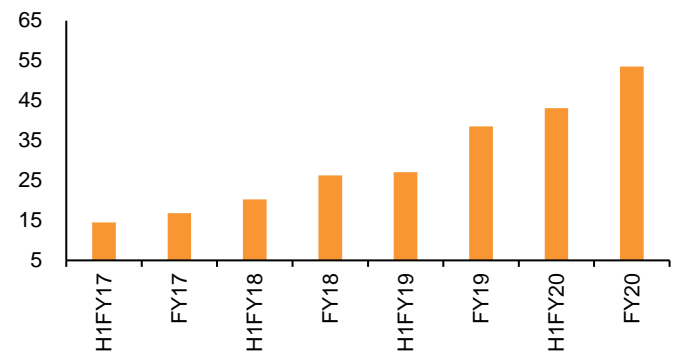
Source: Company, Emkay Research

Exhibit 2: Net cash position deteriorates after a blip in the previous quarter



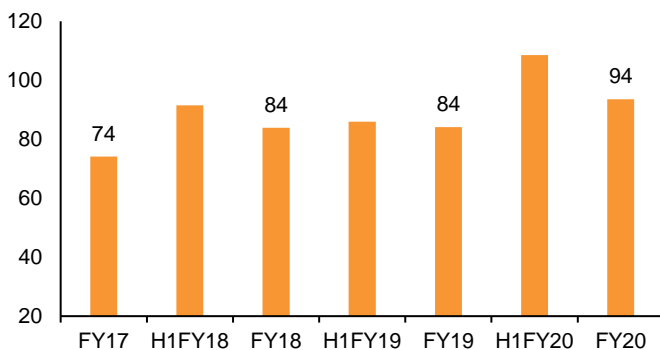
Source: Company, Emkay Research

Exhibit 3: Inventory increase surprised negatively despite accelerated amortization



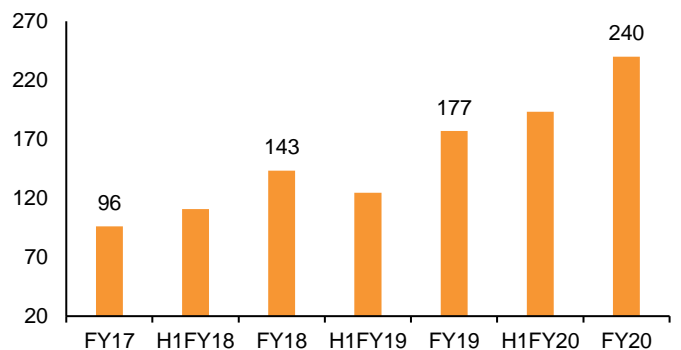
Source: Company, Emkay Research

Exhibit 4: Debtor days rose primarily due to delay in payment from one key customer



Source: Company, Emkay Research

Exhibit 5: Inventory days have seen a rising trend over the past few years



Source: Company, Emkay Research

Overseas investments sold at significant discount

- The management had been stating from few quarters that are in process of liquidating the overseas mutual fund investments and will be repatriating the funds, however, those investments were marked down by 63% or Rs3.8bn in Q4FY20 and sold-off. The company has received only 15% of the proceeds as on now.

Exhibit 6: Various overseas investments of the company over the years

Rs mn	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19
Poseidon Opportunities Fund					3,775	3,991	4,250	3,418	3,794
Socrates money market fund	2,309	2,645	633	31					
First global wealth Ltd			954	2,241					
Globex Fund			981	1,077					
Secured Redeemable Unrated NCD of SGGD Projects Development Private Limited							1,543	1,725	-
Actinium Investments Funds Limited								1,976	2,196
Tagos Design Innovations Private Limited								184	102
Morpheus Media Fund- At Fair Value through P&L					421	859	446	323	165
Morpheus Media Fund- as reported in earlier years					420	1,070			
Exfinity Technology Fund-Series II								27	30
Total investments in overseas mutual fund	2,309	2,645	2,568	3,349	4,616	5,920	6,239	7,469	6,185

Source: Company, Emkay Research

- In FY20 the company has provided/written-off Rs13.1bn towards investments in ICDs, accelerated content amortization, doubtful receivables towards outstanding ad and subscription revenues. Although, management has blamed Covid for write-offs in 4Q, while we believe such clean-ups were expected but not to this extent.

Exhibit 7: Trend of provisions and exceptional items over the past few quarters

Particulars (Rs mn)	Q2FY20	Q3FY20	Q4FY20
Accelerated inventory amortization			2,598
One-time provisioning (accounted in opex)		376	3,433
from related party (subscription)		376	1,179
Other Ad and subscription customers			413
Others			1,841
Exceptional Items			
Impairment charge for digital publishing business			1,137
Delay in receiving payment from related parties for ICD	1,706		
Loss on investment in high yielding overseas Mutual funds			3,835
Total	1,706	376	11,003

Source: Company, Emkay Research

Notes to accounts:

- Issue of wrongful offsetting of fixed deposit against loans of a related party has been resolved, with the related party crediting the specified amount in question.
- With regard to outstanding trade receivables from two key customers, the company provisioned Rs1.2bn on account of expected credit loss. In Q3FY20, Rs376mn was recorded as expected credit loss toward this.
- Zee has not provisioned for the ongoing court case against Yes Bank worth Rs3.9bn. The company is of the view that the LOC granted in 2016 on behalf of ATL Media does not necessarily translate into guarantee. In the last hearing, the Bombay High Court had refused to provide any relief to Yes Bank.
- Impairment charge of Rs1.13bn was taken on account of goodwill impairment for its online media business.

Qualified opinion by Auditor - USD52.5mn for letter of comfort

The auditor issued a qualified opinion due to the lack of provisioning around the current court case against the company by Yes Bank. This case disputes whether a LoC can be considered as a guarantee or not, as Zee had provided an LoC to the bank, stating its intention to support ATL Media, its wholly owned subsidiary, in all its guarantees and requirements.

Following is a brief outline of the timeline:

- In 2016, ATL Media entered into a put agreement with Living Entertainment Ltd. (LEL) to purchase the latter's stake in Veria International Ltd. (VIL) for USD105mn. The exercise date of this put agreement was July, 2019.
- In order to secure funding from Yes Bank and Axis Bank, LEL had transferred its right to the put agreement to the banks.
- Subsequently, the exercise date of the put agreement was pushed to December, 2026, with a revised value of USD52.5mn. However, due to some misrepresentations on the part of LEL, ATL media terminated the put agreement.
- Due to the inability of LEL to meet its loan repayment requirements, the banks in question chose to enforce the put agreement with ATL media, thereby igniting the debate on whether an LOC can be considered as a guarantee or not.
- In the last hearing, the Bombay High Court had refused to provide any relief to the bank.

Other highlights

- Consolidated revenue at Rs19.5bn was down 3.4% yoy. Reported ad revenue was down 14.7% vs. estimate of 20%. Other operating income stood at Rs17bn vs. Rs2.4bn in Q4FY19.
 - Domestic advertisement revenue decreased 15.1% yoy to Rs9.8bn, while International ad revenue stood at Rs560mn (down 6.7% yoy).
 - Total subscription revenue was up 31.2% yoy to Rs7.4bn (15% above estimates). **Domestic subscription revenue stood at Rs6.6bn, up 40.7% yoy, driven by NTO implementation and ramp-up in Zee5 subscriber base.** International subscription revenue stood at Rs807mn (-15.7% yoy).

Exhibit 8: Segmental revenues: Domestic subscription witnessed robust growth of 41% yoy

Rs mn	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	YoY %	QoQ %	FY19	FY20	YoY %
Ad Revenue	12,175	11,867	12,247	12,308	10,389	(14.7)	(15.6)	50,367	46,811	-7%
Subscription revenue	5,653	7,088	7,235	7,137	7,414	31.2	3.9	23,106	28,873	25%
Domestic	4,696	6,240	6,459	6,317	6,607	40.7	4.6	19,233	25,623	33%
International	957	848	776	820	807	(15.7)	(1.6)	3,873	3,251	-16%
Others	2,365	1,126	1,739	1,042	1,708	(27.8)	63.9	5,867	5,614	0.0
Total Sales	20,193	20,081	21,220	20,487	19,511	(3.4)	(4.8)	79,339	81,299	-2.4

Source: Company, Emkay Research

- The company reported an EBITDA loss of Rs2.8bn, impacted by higher programming cost (+47.7% yoy) and other opex. Total opex of Rs22.3bn was significantly above our estimates. **A provision of Rs413mn has been recorded with respect to advertisement and subscription revenue on account of Covid-19.**
- Programming and content cost was up 47.7% yoy, primarily due to investments in new channels (4 regional channels) and Zee5. **Additionally, it includes accelerated inventory amortization of Rs2.6bn.**
- Employee cost decreased 20.4% yoy to Rs1.6bn due to a reversal in the provision for retirement benefits as per actuarial estimates.
- Net loss stood at Rs7.7bn vs. a profit of Rs2.9bn in Q4FY19, impacted by EBITDA loss and exceptional items.
 - Other income stood at Rs407mn vs. Rs568mn in Q4FY19.
 - MTM loss stood at Rs3.9bn vs. Rs125mn in Q4FY19.** This is primarily related to the write down of foreign mutual fund investments.
 - Finance cost was Rs864mn, down 24% yoy.
- Zee5 had 63.1mn Monthly Active Users and 6mn Daily Active Users.** It launched more than 80 shows in the year vs. guidance of 72.

International operations - Continues to record weak performance

- Total international revenue stood at Rs2bn, down 10.1% yoy. Ad revenue declined 6.7% yoy, while international subscription revenue fell 15.7% yoy.
- Ad revenue shrank to Rs560mn, while subscription revenue decreased to Rs807mn. Other operating income stood at Rs633mn.

Exhibit 9: Breakdown of international revenues

Rs mn	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	YoY %	QoQ %	FY19	FY20	YoY %
Ad revenue	600	545	557	738	560	(6.7)	(24.1)	2,677	2,400	11.5
Subscription revenue	957	848	776	820	807	(15.7)	(1.6)	3,873	3,251	19.1
Other sales and services	668	210	749	107	633	(5.2)	491.6	1,630	1,699	-4.1
Total Revenue	2225	1603	2082	1665	2000	(10.1)	20.1	8,180	7,350	11.3

Source: Company, Emkay Research

Exhibit 10: Actual vs. Estimates (Q4FY20)

(Rs mn)	Actual	Estimate		% variation		Comment
		Emkay	Consensus	Emkay	Consensus	
Revenue	19,511	17,717	18,754	10%	4%	Beat on ad and subscription revenue fronts
EBITDA	-2,839	4,124	4,522	-169%	-163%	Accelerated content amortization & credit loss
EBITDA, margin	-14.5%	23.3%	24.1%	-3783 bps	-3866 bps	
PAT	-7,667	2,914	2,791	-363%	-375%	

Source: Company, Emkay Research

Exhibit 11: Quarterly financials

Rs mn	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	YoY (%)	QoQ (%)	FY19	FY20	YoY (%)
Ad revenue	12,175	11,867	12,247	12,308	10,389	(14.7)	(15.6)	50,367	46,811	(7.1)
Subscription Revenue	5,653	7,088	7,235	7,137	7,414	31.2	3.9	23,106	28,873	25.0
Others	2,365	1,126	1,739	1,042	1,708	(27.8)	63.9	5,867	5,614	(4.3)
Net Sales	20,193	20,081	21,220	20,487	19,511	(3.4)	(4.8)	79,339	81,299	2.5
Programming Cost	8,833	7,800	8,963	8,476	13,046	47.7	53.9	30,758	38,285	24.5
as % of sales	43.7	38.8	42.2	41.4	66.9			155.0	189.3	
Employee Expenses	2,015	2,003	2,123	2,075	1,604	(20.4)	(22.7)	7,249	7,805	7.7
as % of sales	10.0	10.0	10.0	10.1	8.2			36.7	38.3	
Admin and Other expense	3,662	3,680	3,206	4,277	7,699	110.3	80.0	15,692	18,863	20.2
as % of sales	18.1	18.3	15.1	20.9	39.5			79.2	93.8	
Total operating expenditure	14510	13484	14291	14829	22349	54.0	50.7	53,700	64,953	21.0
EBITDA	5683	6598	6929	5658	-2839	(149.9)	(150.2)	25,640	16,346	(36.2)
Depreciation	568	690	583	656	778	36.9	18.6	2,347	2,706	15.3
EBIT	5115	5908	6346	5002	-3616	(170.7)	(172.3)	23,293	13,640	(41.4)
Other Income	568	1,039	681	710	407	(28.4)	(42.7)	2,515	2,836	12.8
Interest	1,142	205	180	200	864	(24.3)	331.0	1,304	1,449	11.1
Exceptional Item/ Fair value through P&L	-125	679	-1,794	-401	-3,924			-182	-5,440	
PBT	4417	7420	5054	5110	-7997	(281.1)	(256.5)	24,321	9,587	(60.6)
Tax	1,494	2,146	921	1,622	-372	(124.9)	(122.9)	8,673	4,317	(50.2)
PAT before MI	2923	5275	4133	3488	-7625	(360.9)	(318.6)	15,648	5,270	(66.3)
MI	6	-31	1	-6	42	593.3	(760.3)	-23	5	(121.1)
PAT after MI	2917	5306	4132	3494	-7667	(362.8)	(319.4)	15,671	5,266	(66.4)
Margins (%)						(bps)	(bps)			(bps)
EBIDTA	28.1	32.9	32.7	27.6	(14.5)	(4,269)	(4,217)	32.3	20.1	(1,221)
EBIT	25.3	29.4	29.9	24.4	(18.5)	(4,387)	(4,295)	29.4	16.8	(1,258)
EBT	21.9	37.0	23.8	24.9	(41.0)	(6,286)	(6,593)	30.7	11.8	(1,886)
PAT	14.5	26.3	19.5	17.0	(39.1)	(5,356)	(5,611)	19.7	6.5	(1,324)
Effective Tax rate	33.8	28.9	18.2	31.7	4.7	(2,917)	(2,709)	35.7	45.0	937

Source: Company, Emkay Research

Exhibit 12: Key revenue assumptions

Zee TV (Rs mn)	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
Advertisement revenue	36,735	42,048	50,367	46,811	38,309	47,955	53,850
yoy Growth	9%	14%	20%	-7%	-18%	25%	12%
Subscription revenue	22,629	20,287	23,105	28,873	31,490	33,663	36,092
yoy Growth	10%	-10%	14%	25%	9%	7%	7%
Domestic subscription	18,226	16,388	19,233	25,623	28,501	30,840	33,381
yoy Growth	12%	-10%	17%	33%	11%	8%	8%
International subscription	4,404	3,898	3,873	3,251	2,989	2,824	2,711
yoy Growth	3%	-11%	-1%	-16%	-8%	-6%	-4%
Others	4,978	4,522	5,867	5,614	5,200	6,000	6,000
yoy Growth	28%	-9%	30%	-4%	-7%	15%	0%
Total revenue	64,342	66,857	79,339	81,299	74,998	87,618	95,942
yoy Growth	11%	4%	19%	2%	-8%	17%	9%

Source: Company, Emkay Research

Change in estimates

- We have further cut our ad revenue estimates due to sustained weakness in the ad market, while increasing domestic subscription revenue estimates as management has guided for growth in FY21 despite the high base of FY20 and Covid-19-related factors. However, we have cut estimates for other income due to the sustained deterioration in cash in the balance sheet.
- Delayed recovery in ad revenues and implementation of NTO 2.0 could pose downside risk to our estimates.

Exhibit 13: Estimate changes

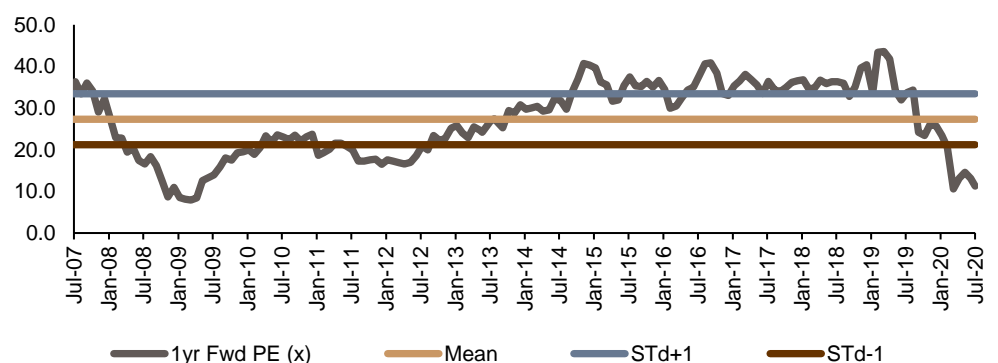
Particulars (Rs mn)	FY21E			FY22E			FY23E
	Old	Revised	Change	Old	Revised	Change	Introduced
Ad revenue	43,386	38,309	-11.7%	49,789	47,955	-3.7%	53,850
Subscription revenue	29,349	31,490	7.3%	31,584	33,663	6.6%	36,092
Revenue	77,934	74,998	-3.8%	87,372	87,618	0.3%	95,942
EBITDA	19,466	17,990	-7.6%	23,096	23,959	3.7%	26,233
EBITDA Margin %	25.0	24.0	-99 bps	26.4	27.3	91 bps	27.3
PAT	13,437	11,878	-11.6%	16,125	16,442	2.0%	18,170
EPS	14.0	12.4	-11.6%	16.8	17.1	2.0%	18.9

Source: Company, Emkay Research

Conference call highlights

- **Outlook:** All markets except Tamil has resumed fresh content. Ad revenue recovery is expected in H2FY21, while in Q1 for Zee could see a 60-65% yoy decline. In the worst-case, FY21 ad revenues for the industry are expected to fall by 28-30%.
 - In Hindi, ad revenues are at 60% of last year's run-rate, while it is 80-90% for regional channels. Management expects it to reach 100% of last fiscal by the festive season.
 - Subscription revenues have been resilient during lockdown with some impact on collections from DPO. Domestic subscription revenues should see a normalization in growth in FY21 due to the high base of FY20. Management believes that NTO 2.0 will not get implemented as the matter is sub-judice and there is clarity from TRAI on the implementation for the end-consumer.
- **ZEE5:** Subscription revenues have increased by 70-75%, with contribution from both B2B and B2C subscriptions. Agreement with ALT Balaji is for 3-year period and can get extended.
 - Investments have been ~7% of the company's EBITDA.
- **Content cost:** Accelerated content amortisation has happened across the geographies as the company has shut down some international channels whose content is not relevant now.
- EBITDA margin should bounce back to 30% from FY22.
- **One-time provisions:** Management has assessed the impact of Covid-19 over FY21 and charged for the provision in Q4FY20 results. Accelerated amortization charge of content due to the slowdown in macro activity and the company has not changed its content amortization policy. Ad revenue provisions are pertaining to non-credited advertisers and not large advertisers. Management does not expect any adverse impact on subscription revenues from related party outstanding of Rs8.15bn.
- **Inventories:** Rs3-3.5bn is attributable to the movie production as movie releases have been delayed due to the lockdown. Some impact is also on account of Zee Music Company.
 - Incrementally, the company is looking to reduce investments in acquiring movie satellite rights.
 - It intends to scale up movie production business going forward.
- **Overseas investments:** Significant write-off was taken due to Covid-19-related value erosion, while the company has sold the investments and received 15% of the amount so far.
- **Subscription receivables:** Outstanding amount of Rs8.15bn, including Rs1.2bn of provisions, has reduced after Mar'20.
- The focus is to generate FCF in FY21, while the underlying business remains weak. Management has maintained its guidance of FCF at 50% of PAT. SugarBox investments would start from Q4FY21 due to Covid-19-related delays.
- **Non-core investments:** The company is looking to sell land owned in Hyderabad and a few properties in Mumbai and Delhi as well. It has also exited its investment in the aviation subsidiary.

Exhibit 14: 1-yr forward PE valuation band



Source: Company, Emkay Research

Exhibit 15: BARC ratings trend (quarterly average)

Hindi GEC	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20
STAR Plus	12%	13%	14%	13%	12%
Colors	10%	10%	11%	11%	12%
Zee TV	11%	12%	13%	12%	10%
Zee Anmol	13%				
STAR Utsav	7%	3%	3%	3%	4%
STAR Bharat	8%	6%	6%	6%	5%
Sony Pal	9%	3%	3%	3%	3%
Sony Entertainment Television	10%	10%	11%	10%	9%
DD National					25%
Sony Sab	8%	10%	12%	12%	12%
Dangal	23%	18%	18%	21%	23%
Big Magic	13%	14%	9%	9%	9%
&TV	3%	3%	3%		3%
Hindi Movies	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20
STAR Gold	19%	22%	20%	21%	20%
Zee Cinema	18%	23%	21%	20%	22%
Sony MAX	22%	24%	22%	23%	24%
B4U Kadak		21%	25%	23%	19%
Marathi	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20
Zee Marathi	39%	33%	38%	37%	31%
Colors Marathi	16%	16%	18%	21%	24%
Zee Talkies	13%	14%	14%	12%	13%
Fakt Marathi	37%	28%	19%	16%	16%
STAR Pravah	11%	9%	11%	15%	18%
Zee Yuva	5%				
Telugu	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20
ETV Telugu	21%	20%	21%	21%	21%
Star Maa	28%	30%	33%	33%	31%
Zee Telugu	22%	21%	19%	19%	20%
Gemini TV	18%	18%	18%	18%	19%
Gemini Movies	9%				10%
Star Maa Movies		11%	9%	9%	9%
Tamil	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20
Sun TV	38%	38%	39%	41%	42%
KTV	13%	12%	13%	13%	15%
STAR Vijay	22%	23%	24%	21%	19%
Zee tamil	21%	21%	19%	19%	18%
Star Vijay Super		5%	5%	6%	6%
Kannada	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20
Colors Kannada	30%	27%	24%	24%	18%
Udaya TV	16%	16%	16%	15%	17%
Star Suvarna	12%	12%	13%	14%	16%
Udaya Movies	12%	12%	11%	11%	12%
Zee Kannada	30%	31%	35%	37%	37%

Source: BARC, Emkay Research

Exhibit 16: BARC ratings trend (quarterly average) contd.

Malayalam	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20
Asianet	45%	43%	46%	49%	50%
Mazhavil Manorama	16%	17%	16%	15%	14%
Flowers TV	18%	19%	18%	14%	13%
Surya TV	12%	12%	11%	11%	12%
Zee Keralam			10%	10%	11%
Bangla	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20
STAR Jalsha	33%	31%	33%	36%	38%
Zee Bangla	44%	42%	42%	41%	38%
Jalsha Movies	9%	13%	10%	9%	9%
Colors Bangla	8%	7%	7%	7%	7%
Zee Bangla Cinema		7%	8%	7%	9%
Sony Aath	6%	7%	7%	7%	8%
Bhojpuri	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20
Big Ganga	36%	29%	24%	25%	22%
Bhojpuri Cinema	40%	43%	30%	32%	27%
Dabangg	14%	13%	8%	9%	8%
Dangal TV	8%				
Zee Biskope					27%
B4U Bhojpuri		34%	31%	27%	20%
Oriya	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20
Zee Sarthak	35%	33%	33%	37%	37%
Tarang TV	41%				
Colors Oriya		5%		7%	7%
Alankar	9%	12%	13%	11%	13%
Tarang	47%	43%	41%	39%	37%

Source: BARC, Emkay Research

Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	79,339	81,299	74,998	87,618	95,942
Expenditure	53,664	64,953	57,008	63,659	69,709
EBITDA	25,675	16,346	17,990	23,959	26,233
Depreciation	2,347	2,706	2,802	2,843	2,973
EBIT	23,328	13,640	15,188	21,116	23,259
Other Income	2,515	2,836	800	960	1,120
Interest expenses	1,304	1,449	120	120	120
PBT	24,539	15,027	15,868	21,956	24,259
Tax	8,673	4,317	3,994	5,526	6,106
Extraordinary Items	(218)	(5,440)	0	0	0
Minority Int./Income from Assoc.	26	(43)	(44)	(53)	(56)
Reported Net Income	15,671	4,377	11,285	16,146	18,170
Adjusted PAT	15,889	10,705	11,878	16,442	18,170

Balance Sheet

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Equity share capital	960	961	960	960	960
Reserves & surplus	88,279	92,479	99,031	1,11,245	1,25,482
Net worth	89,239	93,439	99,991	1,12,205	1,26,442
Minority Interest	143	110	110	110	110
Loan Funds	11,145	9,284	5,084	2,339	2,339
Net deferred tax liability	1,262	(2,742)	(2,742)	(2,742)	(2,742)
Total Liabilities	1,01,789	1,00,091	1,02,443	1,11,912	1,26,149
Net block	14,146	13,147	12,262	10,919	9,446
Investment	9,765	3,247	8,247	8,247	13,247
Current Assets	1,03,858	1,03,769	1,03,268	1,16,373	1,29,358
Cash & bank balance	12,217	7,345	5,130	3,377	7,288
Other Current Assets	10,578	13,839	12,391	14,476	15,851
Current liabilities & Provision	27,541	20,904	22,896	25,189	27,464
Net current assets	76,317	82,865	80,372	91,184	1,01,895
Misc. exp	0	0	0	0	0
Total Assets	1,01,789	1,00,091	1,02,443	1,11,912	1,26,149

Cash Flow

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
PBT (Ex-Other income) (NI+Dep)	22,024	12,191	15,068	20,996	23,139
Other Non-Cash items	0	0	0	0	0
Chg in working cap	(18,902)	(15,424)	278	(12,565)	(6,800)
Operating Cashflow	73	(8,623)	14,958	6,720	14,343
Capital expenditure	(2,374)	(978)	(2,647)	(1,500)	(1,500)
Free Cash Flow	(2,302)	(9,601)	12,311	5,220	12,843
Investments	5,524	6,518	(5,000)	0	(5,000)
Other Investing Cash Flow	0	0	0	0	0
Investing Cashflow	5,665	8,376	(6,847)	(540)	(5,380)
Equity Capital Raised	0	0	0	0	0
Loans Taken / (Repaid)	(4,117)	(1,861)	(4,200)	(2,745)	0
Dividend paid (incl tax)	(3,358)	(1,225)	(4,525)	(4,229)	(3,932)
Other Financing Cash Flow	15,259	12,127	5,864	4,290	2,377
Financing Cashflow	6,480	7,592	(2,980)	(2,803)	(1,675)
Net chg in cash	12,217	7,345	5,130	3,377	7,288
Opening cash position	16,117	12,217	7,345	5,130	3,377
Closing cash position	12,217	7,345	5,130	3,377	7,288

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY19	FY20	FY21E	FY22E	FY23E
EBITDA Margin	32.4	20.1	24.0	27.3	27.3
EBIT Margin	29.4	16.8	20.3	24.1	24.2
Effective Tax Rate	35.3	28.7	25.2	25.2	25.2
Net Margin	20.0	13.2	15.8	18.8	18.9
ROCE	26.5	16.3	15.8	20.6	20.5
ROE	19.3	10.7	11.7	15.2	15.2
RoIC	33.6	16.3	17.2	22.7	22.9

Per Share Data (Rs)	FY19	FY20	FY21E	FY22E	FY23E
EPS	16.5	10.2	11.8	16.8	18.9
CEPS	19.0	13.0	14.7	19.8	22.0
BVPS	92.9	97.3	104.1	116.8	131.7
DPS	3.5	1.2	4.1	3.8	3.5

Valuations (x)	FY19	FY20	FY21E	FY22E	FY23E
PER	9.2	14.8	12.9	9.0	8.0
P/CEPS	8.0	11.6	10.3	7.7	6.9
P/BV	1.6	1.6	1.5	1.3	1.2
EV / Sales	1.7	1.8	1.8	1.6	1.3
EV / EBITDA	5.2	8.8	7.6	5.7	4.9
Dividend Yield (%)	2.3	0.8	2.7	2.5	2.3

Gearing Ratio (x)	FY19	FY20	FY21E	FY22E	FY23E
Net Debt/ Equity	(0.1)	0.0	(0.1)	(0.1)	(0.1)
Net Debt/EBIDTA	(0.4)	(0.1)	(0.5)	(0.4)	(0.7)
Working Cap Cycle (days)	294.9	339.1	366.2	365.8	359.9

Growth (%)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	18.7	2.5	(7.7)	16.8	9.5
EBITDA	23.7	(36.3)	10.1	33.2	9.5
EBIT	23.2	(41.5)	11.4	39.0	10.2
PAT	6.0	(72.1)	157.8	43.1	12.5

Quarterly (Rs mn)	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20
Revenue	20,193	20,081	21,220	20,487	19,511
EBITDA	5,683	6,598	6,929	5,658	(2,839)
EBITDA Margin (%)	28.1	32.9	32.7	27.6	(14.5)
PAT	2,917	5,306	4,132	3,494	(7,667)
EPS (Rs)	3.0	5.5	4.3	3.6	(8.0)

Source: Company, Emkay Research

Shareholding Pattern (%)	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20
Promoters	35.8	22.4	4.9	4.8	4.8
FIIIs	47.1	48.7	67.4	68.3	67.3
DIIIs	11.2	13.1	11.8	10.9	9.7
Public and Others	5.9	15.9	15.9	16.1	18.2

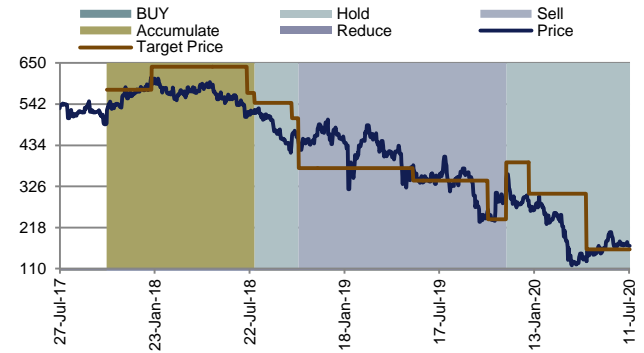
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
21-Apr-20	129	161	12m	Hold	Naval Seth
22-Jan-20	300	307	12m	Hold	Naval Seth
03-Jan-20	274	307	12m	Hold	Naval Seth
01-Jan-20	289	389	12m	Hold	Naval Seth
21-Nov-19	345	389	12m	Hold	Naval Seth
17-Oct-19	264	240	12m	Sell	Naval Seth
23-Sep-19	272	341	12m	Sell	Naval Seth
31-Jul-19	362	341	12m	Sell	Naval Seth
23-Jul-19	361	341	12m	Sell	Naval Seth
28-May-19	382	341	12m	Sell	Naval Seth
04-Apr-19	417	374	12m	Sell	Naval Seth
15-Jan-19	457	374	12m	Sell	Naval Seth
14-Nov-18	435	374	12m	Sell	Naval Seth
23-Oct-18	438	374	12m	Sell	Naval Seth
10-Oct-18	460	505	12m	Hold	Naval Seth
31-Jul-18	527	545	12m	Hold	Naval Seth
17-Jul-18	517	571	12m	Accumulate	Naval Seth
27-Jun-18	544	640	12m	Accumulate	Naval Seth
10-May-18	588	640	12m	Accumulate	Naval Seth
17-Jan-18	593	640	12m	Accumulate	Naval Seth
24-Oct-17	526	580	12m	Accumulate	Naval Seth

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

Emkay Alpha Portfolio – Media & Entertainment



Analyst: Naval Seth

Contact Details

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Sector

Consumer Durables, Media & Entertainment, SMID and Telecom

Analyst bio

Naval holds an MBA in Finance and has more than 11 years of experience in equity research. His team currently covers 18 stocks spread across three different sectors.

EAP sector portfolio

Company Name	BSE200 Weight	EAP Weight	OW/UW (%)	OW/UW (bps)	EAP Weight (Normalised)
Media & Entertainment	0.22	0.20	-6%	-1	100.00
DB Corp*	0.00	0.00	NA	0	0.00
Dish TV*	0.00	0.00	NA	0	0.00
Entertainment Network*	0.00	0.00	NA	0	0.00
Inox Leisure	0.00	0.00	NA	0	0.00
Jagran Prakashan*	0.00	0.00	NA	0	0.00
PVR	0.00	0.00	NA	0	0.00
Sun TV Network	0.05	0.05	-6%	0	22.70
Zee Entertainment	0.16	0.15	-7%	-1	70.82
Cash	0.00	0.01	NA	1	6.5

Source: Emkay Research

* Not under coverage: Equal Weight

■ High Conviction/Strong Over Weight ■ High Conviction/Strong Under Weight

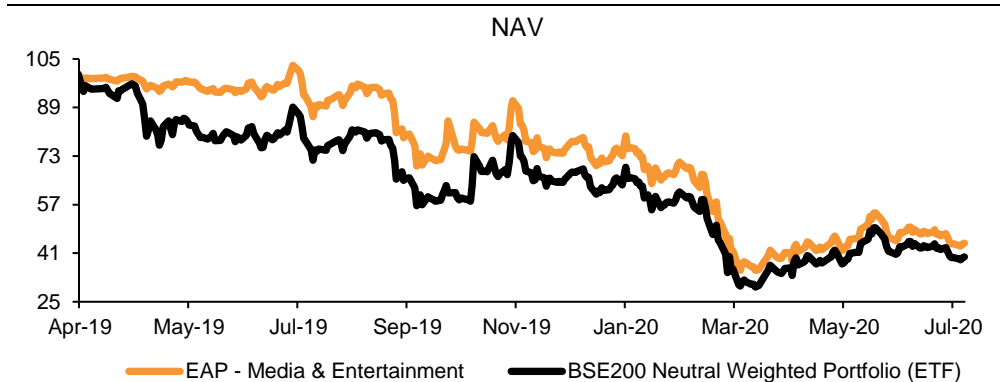
Sector portfolio NAV

	Base					Latest
	01-Apr-19	22-Oct-19	23-Jan-20	23-Apr-20	23-Jun-20	23-Jul-20
EAP - Media & Entertainment	100.0	76.2	75.4	43.9	49.6	44.3
BSE200 Neutral Weighted Portfolio (ETF)	100.0	60.9	65.6	39.4	44.8	39.8

*Performance measurement base date 1st April 2019

Source: Emkay Research

NAV chart



Source: Emkay Research

Please see our model portfolio (Emkay Alpha Portfolio): [SMID](#)

Please see our model portfolio (Emkay Alpha Portfolio): [Nifty](#)

“Emkay Alpha Portfolio – SMID and Nifty are a supporting document to the Emkay Alpha Portfolios Report and is updated on regular intervals”

Emkay Rating Distribution

Ratings	Expected Return within the next 12-18 months.
BUY	Over 15%
HOLD	Between -5% to 15%
SELL	Below -5%

Completed Date: 27 Jul 2020 00:11:10 (SGT)

Dissemination Date: 27 Jul 2020 00:12:10 (SGT)

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